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Is Bitcoin Banned in China?

By [Shobhit Seth](#) | February 12, 2018 — 6:45 AM EST

Earlier this month, the [People's Bank of China \(PBOC\)](#) which is the central regulatory authority that regulates financial institutions and drafts the monetary policy of the country, issued a statement that "it would block access to all domestic and foreign [cryptocurrency](#) exchanges and ICO websites."

As per the [news](#), China aims to clamp down on "all cryptocurrency trading with a ban on foreign exchanges."

China has recently been issuing regular advisories and taking steps to deter the use of cryptocurrency in the country. The recent development can completely eliminate cryptocurrency trading and mining activities in the world's most populous nation.

Chinese regulatory authorities had imposed a ban on [initial coin offerings \(ICO\)](#), a cryptocurrency-based fundraising process, and termed it illegal in China in September 2017. That ban triggered an instant 6% decline in bitcoin prices. Following the ban, the Shanghai-based BTCC bitcoin exchange was forced to close its Chinese trading operations. (For more, see [China Intensifies Crackdown On Bitcoin Mining](#).)

These regulatory actions by China are aimed at controlling the increasing mania involving decentralized, non-regulated cryptocurrencies which have recently soared to astronomical valuations. However, despite the ICO ban and momentary decline, cryptocurrency trading continued in China, as many participants switched to foreign exchanges, like those based in Hong Kong and Japan, to deal in virtual currencies. (See more: [China's Cryptocurrencies Have Gone Underground](#).)

In a series of measures, the PBOC is tightening regulations on domestic dealers engaged in foreign cryptocurrency transactions and ICOs. It has also forbidden China-based financial institutions from any dealing and funding in cryptocurrency linked activities.

Chinese Government Concerned About Fraud

The recent announcement effectively puts a ban on the use of cryptocurrencies in China, and comes as the People's Bank of China is seeing increasing turnover in overseas transactions leading to regulatory compliance evasion. (See also: [China To Crack Down On International Cryptocurrency Trading By Its Citizens](#).)

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This leaves room for a lot of risk for the monetary system due to the unlawful issuance of cryptocurrencies, which may also involve multi-level marketing and [Ponzi schemes](#) to scam less crypto-savvy citizens out of their hard-earned money.



The PBOC views virtual currencies as illegal, since they are not issued by any recognized monetary institution, don't hold any legal status that can make them equivalent to money, and hence advises against their circulation as a currency.

However, realistic implications of the ban still remain uncertain, and it's unlikely they will effectively eliminate cryptocurrency trading completely. China is home to a large number of bitcoin mining farms as a lot of regions offer cheap subsidized electricity, making mining a profitable venture.

Many agree that the ban by Chinese authorities will have a negative impact on the overall digital currency market. Stricter regulations by the PBOC will "definitely weigh on the cryptocurrency universe," said Wayne Cao, who runs a company that recently offered 10 billion tokens in an ICO.

In January 2018, Bobby Lee, CEO and co-founder of BTCC (which closed its China operations), expressed hope that "It's only a matter of time before China lifts the crypto exchange ban." During an [interview](#) with CNBC, Lee said the resilient nature of cryptocurrencies will enable them to spring back following more regulations.

Questions remain on the effectiveness of the regulations because taming the decentralized, regulation-free blockchain-based virtual currency market will remain a big challenge for any real-world regulator. (See also, [Which Countries Benefit From China's Crackdown On Bitcoin Mining?](#))

Investing in cryptocurrencies and other Initial Coin Offerings ("ICOs") is highly risky and speculative, and this article is not a recommendation by Investopedia or the writer to invest in cryptocurrencies or other ICOs. Since each individual's situation is unique, a qualified professional should always be consulted before making any financial decisions. Investopedia makes no representations or warranties as to the accuracy or timeliness of the information contained herein.

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